National Security Acquisition Challenges

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Naval Postgraduate School's 7th Annual
Acquisition Research Symposium

May 12, 2010

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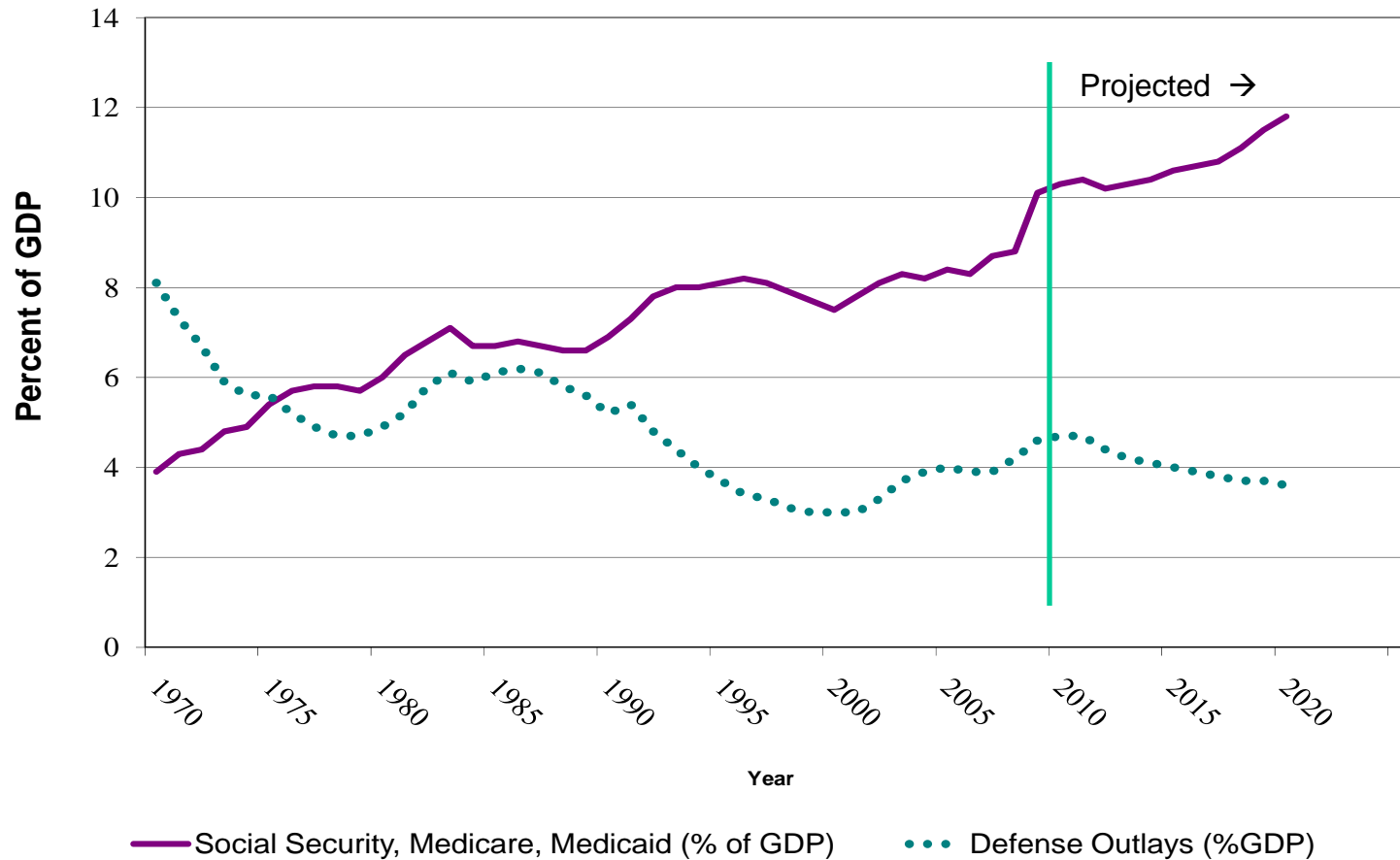(Acquisition, Technology and Logistics) from 1997 - 2001

Report Documentation Page			*Form Approved* *OMB No. 0704-0188*

Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.

1. REPORT DATE **12 MAY 2010**	2. REPORT TYPE	3. DATES COVERED **00-00-2010 to 00-00-2010**

4. TITLE AND SUBTITLE **National Security Acquisition Challenges**	5a. CONTRACT NUMBER
	5b. GRANT NUMBER
	5c. PROGRAM ELEMENT NUMBER
6. AUTHOR(S)	5d. PROJECT NUMBER
	5e. TASK NUMBER
	5f. WORK UNIT NUMBER

7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) **University of Maryland,Center for Public Policy and Private Enterprise,School of Public Policy,College Park,MD,20742**	8. PERFORMING ORGANIZATION REPORT NUMBER

9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)	10. SPONSOR/MONITOR'S ACRONYM(S)
	11. SPONSOR/MONITOR'S REPORT NUMBER(S)

12. DISTRIBUTION/AVAILABILITY STATEMENT
Approved for public release; distribution unlimited

13. SUPPLEMENTARY NOTES
7th Annual Acquisition Research Symposium to be held May 12-13, 2010 in Monterey, California. U.S. Government or Federal Rights License

14. ABSTRACT

15. SUBJECT TERMS

16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES	19a. NAME OF RESPONSIBLE PERSON
a. REPORT **unclassified**	b. ABSTRACT **unclassified**	c. THIS PAGE **unclassified**	**Same as Report (SAR)**	**22**	

Standard Form 298 (Rev. 8-98)
Prescribed by ANSI Std Z39-18

Overriding National Security Issues

1. Multiagency Security Operations (e.g., "Hard" & "Soft" power)

2. Multinational Security Concerns (e.g., cyber, missile defense, terrorism, etc.)

3. Maximum flexibility/adaptability and responsiveness (in the presence of significant and increasing uncertainty)

4. 21st Century Industrial Base (including commercial & global)

5. Contractors on the Battlefield

6. Strategy/Resource mismatch (especially as budget declines and supplementals go away)

Defense and Selected Entitlement Spending as a Percent of GDP.

Projected →

Legend: —— Social Security, Medicare, Medicaid (% of GDP) •••• Defense Outlays (%GDP)

And the trends within the DoD budget are adverse (e.g., rising equipment, O&M, and personnel costs.

Administration and Congress Pushing for "Acquisition Reform"

- President Obama: "…we have turned over too much of the public missions of defense and foreign policy to private firms interested primarily in profit"; "The days of giving defense contractors a blank check are over."

- Insourcing: "Conversion" of 33,400 positions; 13,400 in FY10

- Mandated 7-10% reduction in contracted dollars

- Fixed Price Developments: "end 'unnecessary' no bid, cost-plus contracts"

- Levin-McCain Bill (2009): Greater emphasis on continuous competition, on I.C.A., on Nunn-McCurdy, and on C.O.I.

- House Acquisition Reform Bill (March 2010): Emphasis on new office of Performance Assessment and Root Cause Analysis (PARCA)

> Being referred to as "The Global War on Contractors"

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Recent "Insourcing" Examples*

➤ Insourcing of Air Force Maintenance work:

- C-17 airframe structure (from Boeing)
- C-17 engine, F117- PW-100 (from Pratt & Whitney)
- Joint Strike Fighter (from Lockheed-Martin)
- KC – X Tanker (from Boeing or EADS)
- "Others under discussion" (e.g., F-22s and UAVs)

➤ Air Force states they "expect savings"

➤ Clearly, this work is not inherently-governmental (except the management and/or oversight of it)

* Aviation Week & Space Technology, February 1, 2010

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Cost Comparison Studies for "Insourcing"

1. **CBO: "Logistics Support for Deployed Military Forces," October, 2005**

"over a 20 year period, using army military units would cost roughly 90% more than using contractors"

2. **GAO: "Warfighter Support: A Cost Comparison of Using State Department Employees vs. Contractors for Security Services in Iraq," March 4, 2010**

"using State Department employees to provide state security for the Embassy in Bagdad would cost approximately $858 million for 1 year; vs. $78M charged by contractor" (over 90% more for State Department employees).

"For three out of four tasks comparisons, costs using State Department employees would be greater than using contractors; and, for that one lower-cost case, when training costs for State Department were included, the costs were comparable."

Cost Comparison Studies for "Insourcing"

(Continued)

3. **CRS: "Department of Defense Contractors in Iraq and Afghanistan: Background Analysis," December 14, 2009**

"using contractors can save DoD money"; "Hiring contractors only as needed can be cheaper in the long run than maintaining a permanent in-house capability"

-also describes other advantages of contractors (vs. in-house) in terms of available skills; rapid response; etc.

4. **CBO: "Contractor's Support of U.S. Operations in Iraq," August 2008**

"Comparable costs (over a 1 year period) for Blackwater Private Security Contractor Personnel and Army Personnel (but can get rid of contractor personnel when conflict ends)"

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Performance Based Logistics Availability and Response Time

	Material Availability		Logistics Response Time	
Navy Program	**Pre-PBL**	**Post-PBL**	**Pre-PBL**	**Post-PBL**
F-14 LANTIRN	73%	90%	56.9 Days	5 Days
H-60 Avionics	71%	85%	52.7 Days	8 Days
F/A-18 Stores Mgmt System (SMS)	65%	98%	42.6 Days	2 Days CONUS 7 Days OCONUS
Tires	70%	85%	28.9 Days	2 Days CONUS 4 Days OCONUS
APU	65%	90%	35 Days	6.5 Days

Four Big (interrelated) Acquisition Issues

1. <u>What</u> goods and services to buy (the "requirements" process)

2. <u>How</u> to buy them (acquisition reform)

3. <u>Who</u> does the acquiring (the acquisition workforce)

4. <u>From whom</u> is it acquired (the industrial base)

All Four Must Be Addressed, To "Do More With Less."

1. What is Acquired?

➢ **To meet the wide range of challenges, within a resource-constrained environment, we must focus on:**

- Lower cost systems and services

- Optimized, net-centric systems-of-systems (vs. individual "platforms")

- More "balanced" allocation of resources (to address "irregular" operations): C3 ISR, unmanned systems, Special Forces, "Land Warriors," missile defense, cyberdefense, etc.

- Interoperability of "Joint" systems; multi-agency systems; and coalition systems

- Planning and exercising "as we'll fight": with allies, multi-agencies, and "contractors on the battlefield" (over 200,000 contractors in current warzone)

2. How Goods and Services are Acquired

➢ **To achieve higher performance at lower costs and faster:**

- Require <u>"cost"</u> as a design/military <u>"requirement"</u> (because cost, in a resource-constrained environment, is numbers) [JDAM is a "case study"]

- Provide viable, <u>continuous</u> <u>"competition options"</u> (as the incentive for higher performance at lower costs) e.g. competitive prototypes, competitive split-buys, etc.

- Make maximum use of <u>commercial</u> products and services (at all levels - - utilizing Other Transactions Authority (OTA); especially at lower tiers)

- Implement modern, <u>enterprise-wide IT systems</u> (logistics, business, personnel, etc.) - - including linking Government and Industry – with short acquisition cycle times

- Institutionalize a <u>"rapid acquisition,"</u> parallel process (to respond to COCOM urgent needs)

- Create <u>incentives for contractors</u> to achieve desired results (in cost, schedule, and performance)

- <u>Minimize Conflict of Interest</u> concerns (from LSI → Make/Buy →SETA)

- Fully <u>utilize "spiral development"</u> (hardware and software)

Buying "Off-the-Shelf" (Commercial or Military)*

➤ **Findings:**
- COTS/GOTS offer potential for lower costs, lower risks, earlier deployment
- Often introduce foreign sourcing and ITAR considerations
- Certification and Qualification must be addressed early
- Program Managers need greater flexibility for trade-offs and funding (color of money)

➤ **Recommendations:**
- Acquisition Strategies must be tailored for COTS/GOTS (utilizing Spiral Development)
- Program Managers (DoD and Industry) should have relevant experience
- DoD should form a "rapid fielding agency"
- Far greater communication/transparency required (Government/prime/lower tiers)
- DoD to participate in, and maximize use of, commercial standards

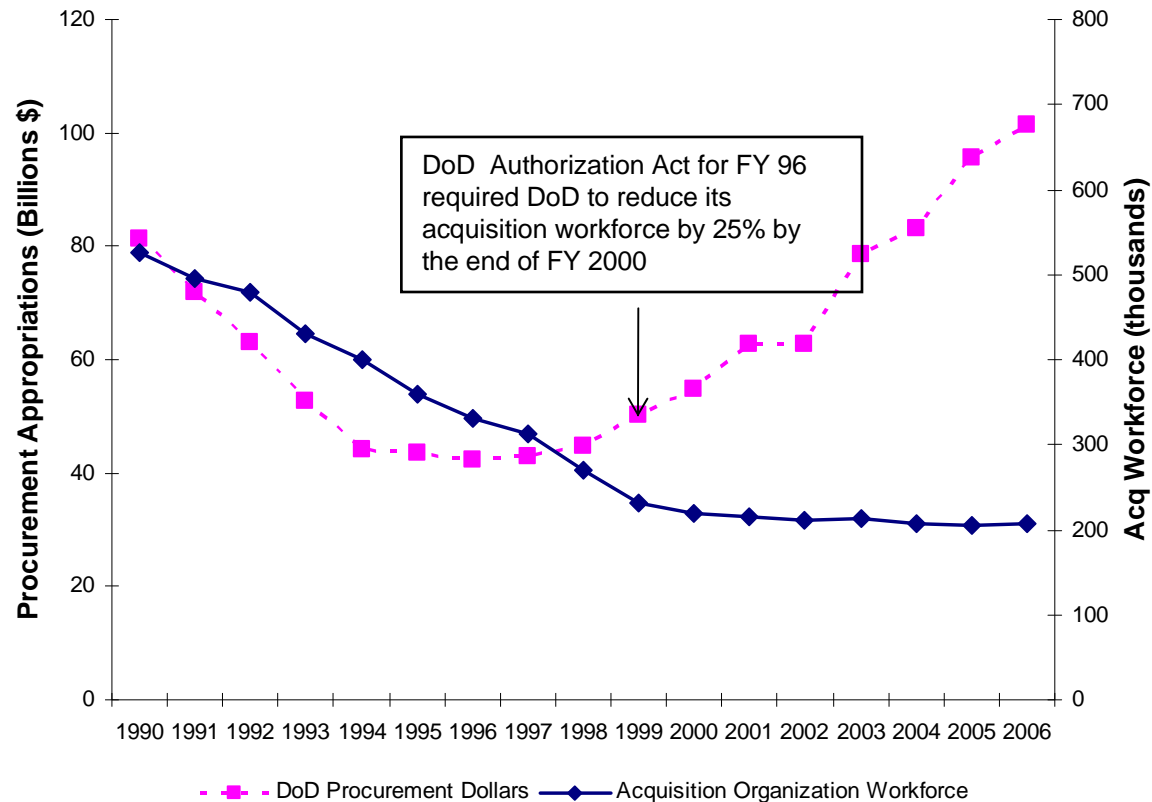* Lessons learned from DSB Study February 2009

3. Who Does the Acquiring?

➢ **A flexible, responsive, efficient, and effective acquisition program (for sophisticated, hi-tech goods and services) requires "<u>smart buyers</u>."**

- This requires both quantity and quality of senior and experienced military and civilian personnel (especially for expeditionary operations)

- In the last decade-plus, this "requirement" has <u>not</u> been met!

DoD Authorization Act for FY 96 required DoD to reduce its acquisition workforce by 25% by the end of FY 2000

Legend: DoD Procurement Dollars — Acquisition Organization Workforce

Source of workforce data: DoD IG Report D-2000-088 Feb 29, 2000 & DoD IG Report D-2006-073 April 17, 2006

Source of budget data: Annual Defense Reports, available at http://www.dod.mil/execsec/adr_intro.html. Procurement supplementals for FY2005 and FY2006 not yet reflected in Annual Defense Reports were obtained from Congressional Research Service Reports. (Defense Science Board, 2008)

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Workforce Demographics

Generation	National (2005)		DoD Civilian Workforce (2006)		DoD AT&L Civilian Workforce (2006)	
	Workforce (millions)	% Workforce	Workforce	% Workforce	Workforce	% Workforce
Silent Generation (born before 1946)	11.5	7.50%	45,625	6.70%	8,322	7.40%
Baby Boomers (1946 to 1964)	61.5	42.00%	438,971	64.50%	77,779	68.70%
Generation X (1965 to 1976)	43.5	29.50%	132,948	19.50%	17,581	15.50%
Generation Y (1977 to 1989)	31.5	21.00%	62,676	9.20%	9,394	8.30%
Millennium (1990 to Present)	51	0%	153	0%	0	0%
		100%		100%		100%

Source: AT&L Human Capital Strategic Plan V3.0, 2007

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15

Acquisition Workforce-Across the Federal Government – Is a Critical Concern

➢ Aging workforce (across the government) - and few younger hires

➢ DoD, especially, has an acquisition workforce problem:

- Greatly reduced senior officers and SESs

  - In 1990, the Army had 5 General Officers with Contract background; in 2007 had 0.
  - In 1995, the Air Force had 40 General Officers in Acquisition, today 24; and 87 SESs and today 49
  - DCMA (25,000 down to 10,000; 4 General Officers to 0)

4. From Whom Goods & Services are Acquired

"The last two decades have seen a consolidation of the Defense Industry around 20th Century Needs – The next step is DoD leadership in transforming to a 21st Century National Security Industrial Structure."

(DSB Report on 21st Century Defense Industry, 2008)

➢ **A __vision__ of a __21st Century National Security__ Industrial Base is required:**

1. Efficient, responsive, technologically advanced, highly-competitive (at all levels, including public and private sectors)

2. Globalized (utilizing "best in class" - - requires changes to export and import controls)

3. Healthy; and investing in IR&D and capital equipment

4. Includes commercial, and maximizes dual-use facilities and workforce

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4. From Whom Goods & Services are Acquired

(continued)

5. "Independent" systems-of-systems architecture and systems engineering firms (to support Government)

6. M&As to be based on this vision

7. All non-inherently-governmental work to be done competitively (public vs. private, for current government work)

8. Strong Government-Industry Communications encouraged

9. No appearance, or reality, of Conflict of Interest (C.O.I.) (regarding "vertical integration")

This is a Critical Period

➢ Similar to the period following the launch of Sputnik or the fall of the Berlin Wall

➢ Today the security world is changing dramatically—especially since 9/11/01 (geopolitically, technologically, threats, missions, warfighting, commercially, etc.) – and a holistic perspective is required (including STATE, DHS and DNI, as well as coalition operations)

➢ Moreover, a decade of solid budget growth – <u>which will almost certainly change</u> – has deferred difficult choices (between more 20th Century equipment vs. 21st Century equipment)

➢ However, the controlling acquisition policies, practices, laws, etc. and the Services' budgets and "requirements" priorities <u>have not been transformed</u> sufficiently to match the needs of this new world (in fact, there is still an emphasis on "resetting" vs. "modernization")

Leadership is required to achieve the needed changes!

Key Acquisition Issues

- "Insourcing" – for inherently-governmental (vs. all others)
- "Competitive sourcing" all others
- Acquisition workforce (esp. the G.O.s)
- Fixed Price **development** (?!)
- Export and import control (reflecting globalization)
- Competitive Dual Sources (e.g. 2nd engine JSF; Tanker)
- Cost as a "requirement"
- Buying commercial goods and services

- Modern logistics
- Buying Services
- Business Transformation (integrated enterprise)
- Rapid response to urgent COCOM needs
- Spiral Development/Deployment (for faster acquisitions)
- C.O.I. – guidance needed
- Encourage **independent** architecture and system engineering firms
- Separate IR&D and B&P

For "Culture Change" Two Things Are Required

1. Recognition of the need (a "crisis") -

   [In this case, the combination of the economic/budget conditions and the acquisition workforce issues]

2. Leadership - with a "vision," a "strategy," and an "action plan" -

   [Obama, Congress, and Gates support change - - now the questions are: which changes? And can the resistance to the "right" changes be overcome?]

> **There will clearly be actions. The big issue is will they be the ones that result in satisfying 21st Century needs – with higher performance at lower costs and with greater agility and speed?**

Achieving these required changes will take political
courage and sustained, strong leadership - - by both the
Executive and Legislative branches
(working together).

The American public, and particularly, our fighting men
and women, deserve it - - and the nation's future security
depends upon it.

It Can Be Achieved!